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#### ARTICLES:

- (1) Government's panel finalizes action plan for 2006 to create a nation built on intellectual property

ASAHI (Page 4) (Full)  
June 9, 2006

In a meeting at the Prime Minister's Office yesterday, the government's Strategic Council on Intellectual Property, headed by Prime Minister Koizumi, finalized its annual intellectual property action plan for 2006. The plan reiterates the need for corporations to submit only well-chosen patent applications. It also proposes reviewing the resale price maintenance system for CDs and revising the Copyright Law to lower the demarcation line between broadcasting and telecommunications.

In the meeting, Prime Minister Koizumi indicated that the government would aim to implement the measures in the plan in cooperation with business and academic circles.

The government has worked out an annual plan since 2003. The report for this year sets forth the goal of making Japan "a nation built on the world's most advanced intellectual property."

The plan also suggests the need to change their stance of giving priority to filing patent applications. Even if the patent system, which is premised on disclosing information, is not used, confidential know-how will be legally protected under the Illegal

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Competition Prevention Law, as long as it is kept strictly and secretly in-house.

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There are many cases in which a company files a patent application for its idea or invention but does not take procedures for registration. Many companies want to increase the number of applications as researchers' achievements, but if they ask for screening for registration, they will be charged about 200,000 yen. New ideas or inventions will be not protected if they are unregistered.

"Unintentional outflows of technology" cases have been reported

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recently, such as a case in which foreign firms have made use of information on patent applications available for general public perusal in order to make their own new products. The committee calls for "modulated protection measures," as said by committee director general Arai.

The intellectual property action plan for 2006 calls for reviewing the resale price maintenance system for CDs, reading: "The way of operation and effectiveness of the system should be reviewed to enable users to select from among many price choices." But the CD industry will inevitably react negatively to this measure.

The report also proposes revising the Copyright Law to disseminate IP multicast broadcasting. But this measure might have an impact on the operations of local TV commercial stations.

Key points in the intellectual property action plan for 2006

(Creation of intellectual property)

Strengthen the comprehensive system in universities, and set rules for business, academic and governmental cooperation

(Protection of intellectual property)

Speed up the screening process, and expand the human foundation in the Patent Agency.

Improve the environment to prevent the outflow of technology and the flow of know-how to foreign countries through patent applications.

Strengthen measures to protect information on new varieties of plants and genetic resources for livestock in the agriculture, re, forestry and fisheries areas.

Enact a treaty at an early date to prevent the spread of counterfeits and pirated copies.

Prevent illegal transactions at the online auction

(Creation of culture-creation state by utilizing contents)

Submit a bill amending the Copyright Law to the Diet as early as possible in fiscal 2006 to regard retransmitted terrestrial broadcasting based on the IP multicast formula as cable broadcast.

Review the operation and effectiveness of the resale price maintenance system for CDs.

Create a rich food culture, foster attractive regional brands, and improve competitiveness in the fashion business.

(2) Post-Koizumi race: Researching Yasuo Fukuda (Part 3); Has personal networks in US and China

NIHON KEIZAI (Page 2) (Full)  
June 8, 2006

Unusual red-carpet treatment in US

The scene was the state of Tennessee on May 12. A car pulled up in front of a mansion in the middle of a rich forest, and a small mall

dog wagging its tail came out to greet former Chief Cabinet Secretary Yasuo Fukuda. The dog's name was Taishi (ambassador),

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and his owner is former US Ambassador to Japan Howard Baker, who was driving the car with Fukuda from the airport. Fukuda and Baker in the past have held more than 100 discussions. That day,

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they talked about such issues as Japan's relations the US and with China, and between the US and China until midnight, while sipping wine.

Ambassador Baker is an influential Republican who has close ties with President George W. Bush. He worked hard to set up meetings for Fukuda with key US government officials, including Vice President Richard Cheney. Many observers in political circles think that the Bush administration gave especially warm treatment to a Japanese lawmaker with no current government position because Fukuda is a potential candidate to succeed Koizumi as premier and because he has communication channels to China.

In August 2003, Fukuda joined a delegation that visited China to commemorate the 25th anniversary of the conclusion of the Japan-China Friendship Treaty, which was signed by his father, Prime Minister Takeo Fukuda. The delegation, which also included former Prime Minister Ryutaro Hashimoto met President Hu Jintao. In the meeting, Fukuda said: "My father laid the track, and I will run trains on it." He met alone with Prime Minister Wen Jiabao.

It was extremely unusual for a chief cabinet secretary, who usually handles cabinet matters, to go abroad. One reason was his long acquaintance with Chinese diplomats since he was a private secretary to his father. At that time, he often visited the

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Chinese embassy in Tokyo.

Wu Dawei, then Chinese Ambassador to Japan and currently vice foreign minister, arranged Fukuda's China visit, though it took six months. Vice Minister Wang Yi (incumbent ambassador to Japan) was the person with whom Fukuda secretly met in Beijing. In the meeting, Fukuda implored earnestly: "It is not good that all exchanges are suspended." Fukuda and the two Chinese diplomats have known each other for 20 years.

Japanese business circles have high hopes for Fukuda's personal channels to China. Fukuda has known Jiro Ushio, president of Ushio Inc., and Hiroshi Okuda, former chairman of the Japan Business Federation, since his father was prime minister. He plays golf once in a while with Momofuku Ando, the founder of Nissin Foods. He often exchanges views with former Vice Finance Minister Hiroshi Hota, secretary to then Prime Minister Takeo Fukuda, and former MITI Vice Minister Yuji Tanahashi.

As a private secretary to his father, Fukuda hosted regular luncheon meetings with Takeo Shiina, senior advisor of IBM Japan, and other business leaders, to exchange views on political, economic and cultural matters.

Fukuda attends meetings of the "Maryu Association" comprising graduates of Azabu High School. He is the oldest of the Diet members who belong to this association. Kaoru Yosano, Takeo Hiranuma, Yuya Niwa, and Sadakazu Tanigaki are his juniors. He surprisingly has connections with Taku Yamasaki, Koichi Kato, and Junichiro Koizumi. He and Koizumi used to be called each other by nicknames: "Jun-chan" and "Yasuo-san." Fukuda, along with Kato and Yamasaki, established last year a parliamentary group to consider creating a national war memorial to replace Yasukuni Shrine. In concert with Fukuda, Kato and Yamasaki have called for a review of Japan's Asia policy, as a main campaign issue for the upcoming presidential election of the Liberal Democratic Party (LDP).

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Cut and dried way of speaking

Fukuda has few close friends in the Mori faction to which he belongs. He is one of the senior members who coordinates activities in the faction. One senior member commented on him: "He is snappish. When he happens to meet young members, he reportedly ignores them."

Seishiro Eto, one of those who have openly expressed their support for Fukuda, hosted a party for Fukuda, who there stated as if he didn't know: "Mr. Eto is well versed in reading the political future. I don't think I should be forced by him to run." He told his aides: "Factions are like cotton candy. It is difficult for a faction to unite." Some lawmakers think that Fukuda is like Koizumi, who is blunt and dislikes hanging out with other politicians.

Major personal networks

Political circles:

Parliamentary group to consider building a national war memorial:  
Taku Yamasaki; Koichi Kato

Mori faction:

Yoshiro Mori; Seishiro Eto

Azabu Junior and Senior High Schools:

Ryutaro Hashimoto; Kaoru Yosano; and Sadakazu Tanigaki

Economic circles:

Hiroshi Okuda; Jiro Ushio

Overseas:

Former US Ambassador to Japan Howard Baker; China's Vice Foreign Minister Wu Dawei

(3) Post-Koizumi race: Researching Yasuo Fukuda (Part 4)

NIHON KEIZAI (Page 2) (Abridged)

June 9, 2006

Yasuo Fukuda believes that Japan must improve its relations with China and South, but is also cautious about revising the Constitution, as are many people. Such a sense was nurtured through his 17 years of service at an oil firm. "It is diplomacy's responsibility to create the right environment where corporations can engage in negotiations and do business comfortably," Fukuda said crisply.

Japan must not intimidate Asian neighbors

Fukuda once criticized Prime Minister Koizumi's visits to Yasukuni Shrine: "Now is the time for Japan to assist China as much as possible to facilitate its growth."

In order for Japan to survive as a main international player, it is essential not only to maintain good economic relations with China but also to guide that country to deal appropriately with the environment, energy, and other issues. It is not wise, therefore, to create a situation where Japan cannot fully exert its influence. Such is Fukuda's logic.

Fukuda is a member of the Group of Lawmakers Who Pay Their

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Respects at Yasukuni Shrine. But he did not visit the shrine during his tenure as chief cabinet secretary apparently to avoid creating a political issue. His advisory panel also produced a report calling for a secular national memorial facility. As a member of a nonpartisan parliamentary league, he is still calling for a nondenominational facility. He is also supportive of the idea of removing Class-A war criminals from Yasukuni.

He is opposed to Japan rushing to amend its constitution, since such might set off alarms across Asia, not to mention China and South Korea.

He believes it is the government's top priority to drive home that Japan will not intimidate other countries and that it will maintain peaceful relations through talks.

His views are based on the so-called Fukuda Doctrine, announced by his father Takeo Fukuda 30 years ago as a basic policy toward Southeast Asia.

The doctrine advocates such principles as not turning Japan into a major military power and forging relations of trust with Asian neighbors. In following those principles, Fukuda believes Japan's prosperity hinges on Asia's stability. He has even suggested innovating the Fukuda Doctrine to produce his own Asia policy.

At the May 3 Jordan summit of former presidents and prime ministers, Fukuda declared: "All issues must be dealt with centering on universal values, such as human dignity, nonviolence, justice, tolerance, and respect." His father established this forum with the aim of setting universal ethical standards.

Fukuda also thinks a consumption tax hike is inevitable in order to reduce the fiscal deficit, as there are limits to such makeshift approaches as selling state-owned assets. In a speech in May, he even said: "A 5% tax hike will generate 12 trillion yen of revenue; 120 trillion yen in 10 years."

Facing up to history

Alarmed by the declining population, Fukuda thinks Japan should open its door to foreign workers to some extent in order to remain vibrant as a major economic power.

Pursuing structural reform and eliminating the social disparity are equally important to Fukuda who puts high priority on stable economic development.

Fukuda also launched in the ruling coalition last year a parliamentary members' council to strengthen and promote the national archives office system. The council is aimed at shifting control over public documents by central and local governments to the National Archives of Japan from the viewpoint that they are public property. During his visit to the United States in May, Fukuda visited the US National Archives in Washington.

Fukuda might think it is a lawmaker's responsibility to look ahead into the future from a broad perspective by facing up to history.

(4) The challenges of a resources-poor country (Chapter 3)-Energy security (Part 7): Japan oil majors; 2 gov't affiliates' merger

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the key

SANKEI (Page 3) (Full)  
June 7, 2006

On Oct. 2 last year, Japanese corporations demonstrated their presence in Libya, an oil-producing country in Africa with the world's ninth largest amount of confirmed oil reserves. A large number of leading oil developers, including international oil majors headquartered in the United States or Europe, bid for mining rights to oil fields in Libya. In this bidding, five Japanese firms attained rights to six of 26 mining areas.

The bidding was the second round after the United States decided in September 2004 to call off its economic embargo against Libya. The first round of bidding was held in January last year. However, all Japanese bidders were defeated by their rivals. So this time around, the second-time bidders from Japan had something in mind to expect. They minimized their shares and presented terms that were to Libya's advantage. The bidding was fully open with all participants' terms shown on the screen. When the screen showed Japanese-tendered conditions, the rivals were surprised to see Japan's tender that was too advantageous to Libya, according to one Japanese bidder.

Even so, Libya is one of the few countries in the world with hopeful oil reserves remaining undeveloped. "Japan has established a bridgehead there," says Fumiaki Watari, president of the Petroleum Association of Japan (PAJ). This fact is very significant when it comes to Japan's energy strategy.

Among the Japanese bidders, Mitsubishi Corporation grabbed the largest number of oil-mining areas. Its stake in each mining area is low, ranging from 10% to 20%. However, Mitsubishi Corp. also became a successful co-bidder of four mining districts in its tieups with Teikoku Oil Co., Ltd., Japan Petroleum Exploration Co., Ltd. (JAPEX), and Nippon Oil Corporation.

The top five Japanese trading houses, including Mitsubishi Corp., have energy rights in the world, totaling about 350,000 barrels per day. This amount is equivalent to about 8% of Japan's crude oil imports. The Japanese trading companies are also behind-the-scenes energy businesses exploring potential mining districts with their worldwide webs of networks and securing oil-mining rights against the backdrop of their financial power.

In many cases, however, an oil-developing company's plant-operating results or its business scale could affect its overseas acquisition of rights to energy resources. Japanese oil developers are no match for US and European oil majors as far as their scale and plant operation are concerned. Then, what is needed for Japan to win hopeful projects in the world? "Japan needs a core company to explore natural resources," said Masahisa Naito, chairman and CEO at the Institute of Energy Economics, Japan (IEEJ).

"We were once rejected before we even made our bid," said Kunihiro Matsuo, chairman of INPEX Corporation. Matsuo revealed this when he announced INPEX Corp.'s business merger with Teikoku Oil in a press conference in November last year. In Japan, INPEX Corp. is a leading firm. However, it could not even participate in international bidding. This fact made the two companies merge their businesses.

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In April, INPEX Holdings Inc. made its debut as a holding company of the two oil developers. Its daily output of crude oil and natural gas is over 370,000 barrels. The new company has now become an oil developer of middle standing in the world. Even so, it is still far behind international oil majors whose production of crude oil alone is over 2 million barrels.

The top shareholder in INPEX Holdings is the government. In Japan, however, there is one more government-affiliated oil

developer. It is JAPEX, which is capitalized by the government at 49.9%. These two companies, if they merge, will be a step closer to becoming an international oil major of Japan's own. However, the Ministry of Economy, Trade and Industry (METI) is hesitant to work on the two companies for their business merger. "It would be difficult if they don't feel like it," a senior METI official said.

JAPEX has been making good showings with the recent high price of crude oil. Its president, Yuji Tanahashi, is therefore negative about business merger with INPEX Holdings. The two companies' presidents are both from the Ministry of International Trade and Industry (MITI), the predecessor of METI. The question is why METI would not work on the two companies to merge their business. "That's probably because," one oil industry source said, "They hesitate for fear of losing their post-retirement jobs."

Against the backdrop of the skyrocketing prices of crude oil around the world, Japan—a country with few natural resources—is about to expand its oil exploration again. On the world market, however, competition for energy resources is intensifying with the rise of China and other factors. In order for Japan to ensure its stable procurement of energy resources, Japan will need to establish its own energy strategy beyond its stakes.

This is the last of Chapter 3 in a seven-part series.

(5) Natural resources wars -- rise of nationalism: Central Asia now wooed by world powers; Japan's "selflessness" may be an advantage

NIHON KEIZAI (Page 7) (Full)  
June 9, 2006

The Japanese government invited foreign ministers from countries of Central Asia (Central Asia Plus Japan) to a meeting on June 5. Central Asia is now the focus of international attention due to the oil and natural gas resources located under the Caspian Sea. The meeting, the first in two years, adopted an action program including energy cooperation. The Central Asian countries voiced their support for Japan's bid for a permanent seat on the United Nations Security Council (UNSC). Their positive attitude toward Japan drew international attention, notably China's.

The Central Asian countries that attended the meeting are also the members of the Shanghai Cooperation Organization (SCO), in which China and Russia take part. The SCO in its summit conference last year adopted a declaration opposing Japan's bid for a permanent seat on the UN Security Council. Meeting the press on June 6, SCO Secretary General Zhang Deguang chided those countries that appeared to have changed their minds by noting: "The SCO's position (about UN reforms) remains the same."

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Central Asia, which lies in between China and Russia, is now the scene of a scramble for natural resources among world powers, including the United States. Because it is geographically close to the former Soviet bloc, the area is under the strong sway of Russia, but Kazakhstan recently has seen a surge in investment from China, which outstripped Russia's investment in 2003 and raised its investment amount to a double of Russia's in 2004.

The southern city of Aqtau in Kazakhstan is undergoing a boom in port-facility building. The country is aiming to participate in the Baku-Tbilisi-Ceyhan (TBC) pipeline project, which would enable crude oil to be transported from Azerbaijan on the other side to Turkey without passing through Russia. Western firms, such as BP (formerly British Petroleum) and Unocal are taking the lead in this project.

The Central Asian countries are gauging world powers in light of the political implications. Uzbekistan hosted an international conference in May, where it offered favorable conditions for participation in joint development of oil and natural gas fields in the country, but those who attended the conference were

executives from such companies as Russia's Gazprom and China's National Petroleum Corporation (CNPC). Except for Royal DutchShell, no other Western firms were invited to the conference.

The Karimov government of Uzbekistan subdued by force an anti-government movement that emerged in the eastern part of the country in May 2005. The actions were later denounced by the US and Europe. Favoring China and Russia, the Karimov government made all US troops leave the country. The government also has made clear its position of having China and Russia as business partners in developing natural gas fields in the Aral Sea. The US, alarmed by the possibility of China and Russia gaining increasing influence on that country, has now begun looking for ways to improve relations with it.

President Bush invited President Aliyev of Azerbaijan to the White House in April and praised Aliyev: "You have played an important role in (the energy area)." Although the Aliyev government has been assailed for its oppression of the opposition parties, it has a grip on crude oil from the Caspian Sea to be transported to Europe. The Bush administration is trying to expand its network of allies to include Central Asia. It does not mind being criticized for having a double standard, namely, advocating democracy but willing to overlook a country's lack of democracy if it can get access to natural resources.

In the 19th century, Britain and Russia unfolded a Great Game over which country would gain hegemony over Central Asia. Now the conflict of national interests of various countries is seen in the same region. This situation may be called a reemergence of the Great Game. Any new entry into the Game may be an unwelcome thing not only for China but also for others.

However, Japan's forte is that it has never had ambitions to expand its territory historically. In fact, as Foreign Minister Taro Aso stated: "For Central Asia to be at the mercy of other countries or be forced to submit to other countries is unacceptable." For countries that have been tossed about by territorial disputes, it would be easy to accept a strategy free from any hegemonism. Japan in this sense has a chance to gain an entry card into the Great Game.

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(6) Letters to the editor page: US' annual report of recommendations on deregulation intended to apply pressure on Japan for American firms' access

TOKYO SHIMBUN (Page 5) (Full)  
June 9, 2006

Question: What is the annual report of recommendations on deregulation submitted by the US every year since the Mizawa Cabinet? (60-year-old female from Saitama City)

Answer: The report is officially called "Submission under the Japan-US Enhanced Initiative on Deregulation and Competition Policy." The Japanese and US governments have presented their respective reports of recommendations to the other side every year.

Japan and the US formally started the exchange of reports based on an agreement reached between Prime Minister Junichiro Koizumi and US President Bush in June 2001. Deregulation dialogues under the Enhanced Initiative have continued since Prime Minister Kiichi Miyazawa and President Clinton launched the Japan-US Framework Economic Talks in July 1993.

At that time, trade friction was escalating between Japan and the US. In the US government, there was strong dissatisfaction with the various regulations imposed by the Japanese government, deeming such regulations as blocking exports to Japan and contributing to the United States' huge trade deficit with Japan.

Although both Japan and the US submit respective reports to each



other, the initial purpose of the exchange arrangement is to facilitate the operations of American companies in Japan by the easing of regulations in the Japanese market.

The Foreign Ministry conveys US requests to relevant government agencies and asks them to make replies to the US.

Deregulatory measures taken in response to recommendations from the US include those to establish law schools, abolish the Large-Scale Retail Store Law, and strengthen the application of the Antimonopoly Act.

Prime Minister Koizumi achieved his long-cherished plan to privatize three postal services. In connection with this, too, the 1995 US report called on Japan to scrap the postal insurance service.

Though it is desirable to minimize regulations, the government should promote deregulation not for the benefit of American firms but from the viewpoint of the Japanese people.

(Political desk: Yoichi Toyoda)

SCHIEFFER